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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

REAL ESTATE ACTIVITY

individual real estate salesman.

Now seems about as good a time as any to discuss our real estate activity indexes as they relate to the individual brokerage office and to the

There is no question that our national and local real estate activity indexes are indispensable tools in judging the ups and downs of the real estate market. They are also most useful to many brokers in securing listings at reasonable figures and as bases for comparing local sales trends. They might even be interesting, but by no means conclusive, to use as bases for measuring the performance of individual salesmen.

However, it is possible for you to combine our national and local real estate index information with your knowledge of conditions in your own business, and to draw forth some pretty solid implications.

It is certainly interesting to know whether the trend in real estate activity is up or down, but it is more interesting, and also more useful, if you can add the "so what."

Because each brokerage office is different, there is no "so what" that will fit them all. For example, we know of several brokerage offices that had their biggest sales volume year in 1952, when national and, in most cases, local activity were far below the peak level of 1946.

Since our real estate activity index includes all real estate transfers, the sale of single-family homes predominates. In the past, the activity in single-family homes has reached its peak several years ahead of the peak in commercial properties. Therefore, it is also probable that an office specializing in sales of commercial properties will have increasingly good years while the activity index is falling.

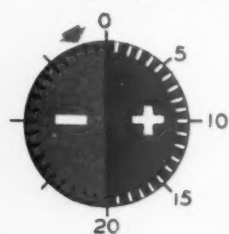
Two more factors that must be considered are selling price, and whether or not the brokerage office sells newly built houses. For example, in 1946, when about 5,300,000 properties were sold, only 670,500 new homes were built. In 1953, we expect 4,100,000 total sales, of which 975,000 will be new. Therefore, in 1946 there were 4,619,000 "old" houses sold, while in 1953 sales of these

old houses will reach about 3,125,000. Now, for the brokerage offices that concentrate on selling old houses (and most of them do because the majority of the new homes are sold by their builders), the actual drop in real estate activity since 1946 has been from 4,619,000 sales to 3,125,000 sales, or a decline of 33%. In contrast, the index (which also includes new houses) has dropped only 23%. However, the sales price factor brightens this rather gloomy picture because since 1946 there has been at least a 25% increase in the selling price of the average home. So, with activity going down and sales price going up, the commission picture has stayed just about the same - on the average.

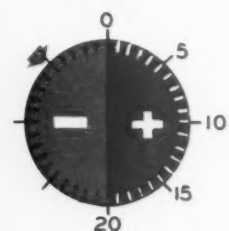
Of course, when prices also start down (and in many places they already have), there is not much the brokerage offices can do except cut overhead and fight harder for a bigger share of the shrinking volume. On the other hand, the career salesmen can take comfort in the fact that the rougher going will force many of the part-time or "amateur" salesmen into other lines of work, and they will find themselves competing with fewer (if tougher) real estate salesmen.

Since this section deals with real estate activity, we might mention that the January level of our national index was 18 points above the long-term normal. This is slightly better than it was a year ago, and almost 12 points above its postwar low of 6.4 points above normal, which it reached in July 1949.

REAL ESTATE SALES PRICE COMPARISONS IN JANUARY 1953



With preceding month -2.8%



With same month preceding year -5.2%



With peak (October 1951 and June 1952) -12.2%

Date	Selling price index	Probable selling price of a house that sold for \$5,000 in 1939
1939	100	\$ 5,000
1940 (2nd half)	110	5,500
June '52 & Oct. '51 peak	310	15,500
Dec. '52	280	14,000
Jan. '53	272	13,600

There is a good chance that the February 1953 index reading will show a seasonal rise.

REAL ESTATE MORTGAGE ACTIVITY

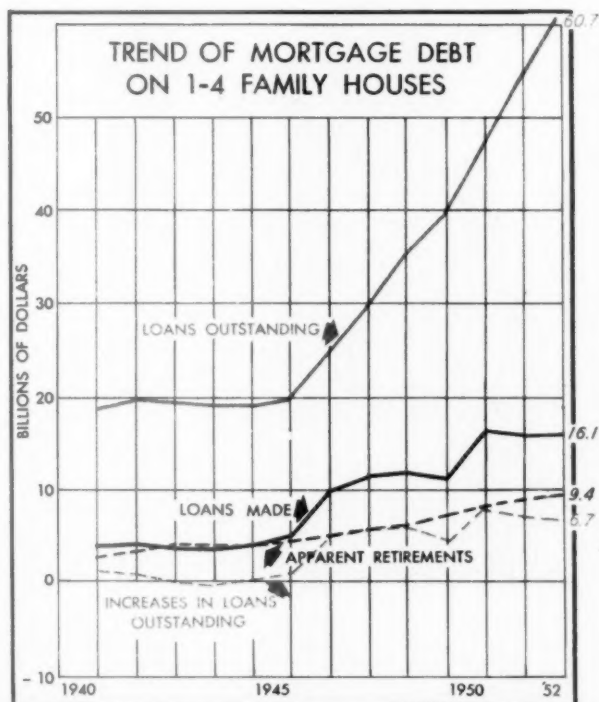
it has reached in nearly 2 years.

Our national mortgage activity index finished out 1952 on the upbeat, and moved through the first month of the new year on the same high level. The present reading of 194.5 is the highest point

Some of our subscribers have asked us why real estate activity has dropped 15% since October 1950, while mortgage activity has dropped only 9% during the same period. There are two closely related reasons. First of all, the percentage of home buyers able to pay all cash has declined sharply. Figures from the Board of Governors of the Federal Reserve System indicate that only about half as many buyers paid all cash in 1951 as paid all cash in 1950. Secondly, since the removal of Regulation X, there has been an increase in the number of second mortgages on new homes. So for each sale of this type, there is only one transfer, but two mortgages are recorded. If it were not for these two influences, the mortgage index and the real estate activity index would correspond more closely.

The chart and table below show that mortgage loans outstanding on one- to four-family houses reached another new high in 1952, when the amount rose to \$60.7 billion. Dollar volume of mortgages written was also very close to the record of \$16 billion. When final figures on 1952 are available, they may show that last year represented an all-time high in mortgage dollar volume.

(cont. on page 88)

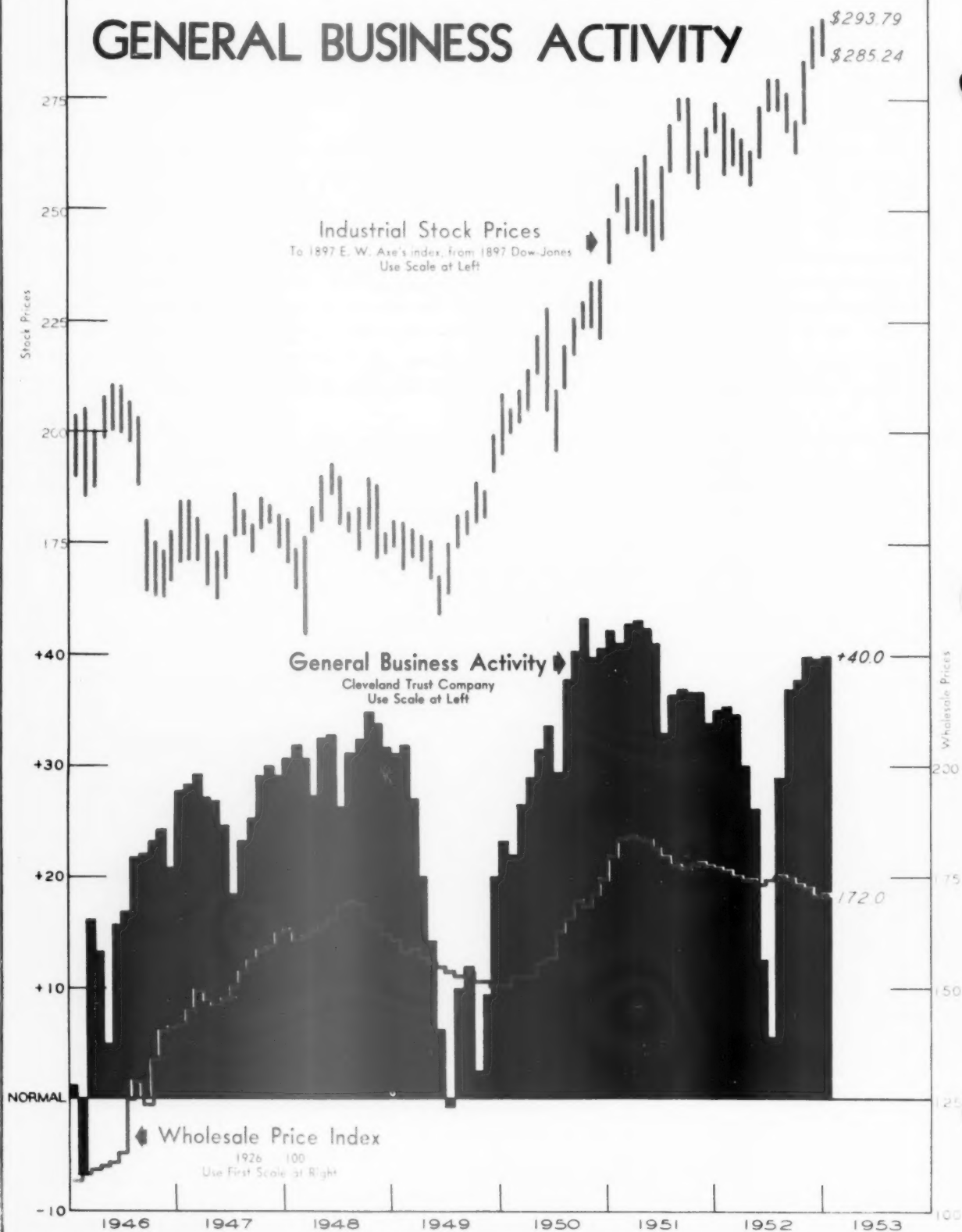


Mortgage Debt on 1- to 4-Family Houses
(In billions of dollars)

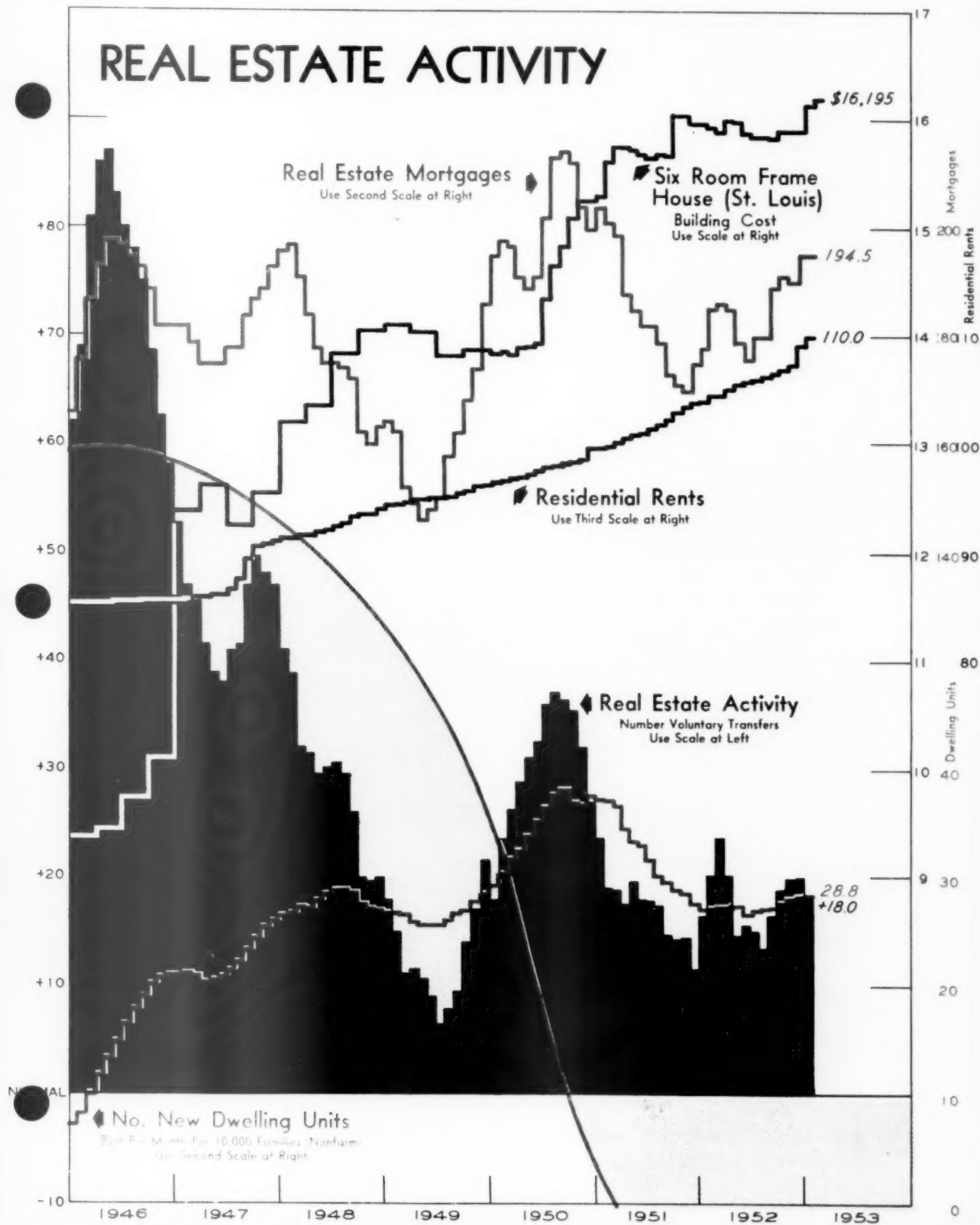
Period	Loans made	Apparent retirements	Increase in loans outstanding	Loans outstanding (end of period)
1940	3.5	2.5	1.0	16.9
1941	3.9	3.1	0.8	19.8
1945	4.9	4.4	0.5	19.7
1946	10.0	5.2	4.8	24.5
1947	11.2	5.8	5.4	29.9
1948	11.4	6.1	5.3	35.1
1949	11.1	7.1	4.0	39.1
1950	16.0	8.2	7.8	46.9
1951	16.0	8.9	7.1	54.0
1952 est.	16.1	9.4	6.7	60.7
1950-1st half	7.2	3.7	3.5	42.6
2nd half	8.8	4.5	4.3	46.9
1951-1st half	7.9	4.5	3.4	50.3
2nd half	8.1	4.4	3.7	54.0
1952-1st half	8.0	5.0	3.0	57.0

NOTE: Annual data on outstandings and loans made from Home Loan Bank Board; semiannual data estimated by Federal Reserve. Apparent retirements derived from these figures.

GENERAL BUSINESS ACTIVITY



REAL ESTATE ACTIVITY



INCREASES IN BUILDING COSTS SINCE 1939

ST. LOUIS
February 1953



SIX-ROOM BRICK HOUSE (FRAME INTERIOR)*

Content: 23,100 cubic feet
1,520 square feet

Cost 1939: \$ 6,400

(27.7¢ per cubic foot; \$ 4.21 per square foot)

Cost today: \$16,895

(73.1¢ per cubic foot; \$11.12 per square foot)

INCREASE OVER 1939 = 164.0%



FIVE-ROOM BRICK VENEER HOUSE*

Content: 24,910 cubic feet

1,165 square feet

Cost 1939: \$ 5,440

(21.8¢ per cubic foot; \$ 4.67 per square foot)

Cost today: \$14,624

(58.7¢ per cubic foot; \$12.55 per square foot)

INCREASE OVER 1939 = 168.8%



SIX-ROOM FRAME HOUSE*

Content: 24,288 cubic feet

1,650 square feet

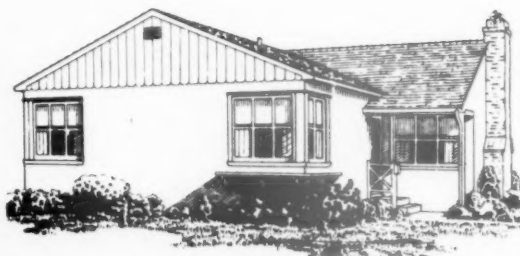
Cost 1939: \$ 5,671

(23.4¢ per cubic foot; \$3.44 per square foot)

Cost today: \$16,195

(66.7¢ per cubic foot; \$9.82 per square foot)

INCREASE OVER 1939 = 185.6%



6-ROOM CALIFORNIA BUNGALOW - NO BASEMENT

Content: 12,119 cubic feet

992 square feet

Cost 1939: \$3,392

(28.0¢ per cubic foot; \$3.42 per square foot)

Cost today: \$9,162

(75.6¢ per cubic foot; \$9.24 per square foot)

INCREASE OVER 1939 = 170.1%

*Costs include full basement.

INCREASES IN BUILDING COSTS SINCE 1939

ST. LOUIS
February 1953



COMMERCIAL BUILDING - NO BASEMENT

Content: 115,850 cubic feet
8,075 square feet

Cost 1939: \$19,474

(16.8¢ per cubic foot; \$2.41 per square foot)

Cost today: \$51,384

(44.4¢ per cubic foot; \$6.36 per square foot)

INCREASE OVER 1939 = 163.9%



18-FAMILY BRICK APARTMENT (FRAME INTERIOR)*

Content: 168,385 cubic feet
13,260 square feet

Cost 1939: \$ 60,300

(35.8¢ per cubic foot; \$ 4.55 per sq. ft.)

Cost today: \$160,035

(95.0¢ per cubic foot; \$12.07 per sq. ft.)

INCREASE OVER 1939 = 165.4%



30-UNIT REINFORCED CONCRETE APARTMENT*

Content: 303,534 cubic feet
21,372 square feet

Cost 1939: \$135,000

(44.5¢ per cubic foot; \$ 6.33 per sq. ft.)

Cost today: \$344,219

(\$1.13 per cubic foot; \$16.11 per sq. ft.)

INCREASE OVER 1939 = 155.0%

*Costs include full basement.

(cont. from page 83)

**RESIDENTIAL
CONSTRUCTION VOLUME**

Good weather over much of the country helped get residential construction off to a good start toward its expected goal of close to 1,000,000 units for 1953. The January total of 71,000 was almost 11% above the 64,900 starts recorded in January 1952.

**RESIDENTIAL
CONSTRUCTION COSTS**

The costs of building our standard houses in the St. Louis area have risen slightly in the recent past. The February 1953 figures are shown on pages 86 and 87. Rises in common-labor wages and small increases in lumber prices were responsible for part of the increase. Since copper has become more available, we have switched back to figuring copper metal work in the costs of these buildings (instead of galvanized), and this has also run their cost up somewhat.